



SFH Guaranteed Underwriting System News

From the National Office in Washington DC

Single Family Housing Guaranteed Underwriting System

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Data Integrity When Using GUS - Reminder

Rural Development offers lenders two underwriting methods when seeking a Loan Note Guarantee - the Guaranteed Underwriting System (GUS) and manual underwriting. Each method relies on lenders to perform a thorough examination of primary and contributory risk factors associated with a mortgage application. Underwriting determinations must be a cumulative review of the total risk presented. Both GUS and manual underwriting require that lenders deliver complete and accurate mortgage data. The Agency depends on the accuracy of this information for many purposes.

Lenders who choose to utilize GUS to underwrite some or all mortgage loans they originate to obtain a Loan Note Guarantee from Rural Development must represent that all data submitted to GUS or manually submitted to the Agency is complete and accurate. This includes representations regarding accuracy and completeness of borrower income, asset information and collateral. As part of our quality control reviews, we have observed instances of inaccurate or missing mortgage data.

Rural Development is committed to issuing Loan Note Guarantees on loans that are sound and within Agency guidelines. Each lender must have quality control procedures that include a review of the completeness and accuracy of the information obtained in the origination process. Quality control procedures should include a process to verify data fields entered in GUS and ensure that all data submitted is valid prior to final submission and request for commitment from Rural Development. A lender's check of information provided to GUS should include at a minimum:

- ✓ Borrower's name, as it will appear on the Promissory Note, on the *Borrower* page.
- ✓ Validation of borrower's social security number, on the *Borrower* page.
- ✓ Property address on the *Eligibility* and *Loan Terms* pages.
- ✓ Loan amount (does the amount include the guarantee fee financed?) on the *Loan Terms* page.

- ✓ Accuracy of the adjusted annual household income on the *Eligibility* page. This calculation includes income from all household members and determines eligibility of the household for the SFHGLP. Net family assets as defined in RD Instruction 1980-D, section 1980.302(a) must be considered in the annual income calculation, when applicable.
- ✓ Capacity of the applicant(s) to repay the mortgage on the *Income and Expenses* page. Income on the *Income and Expenses* page typically differs from that of the Eligibility page. The data entered represents the stable and dependable income of the borrowers to repay the loan. GUS does not perform an income analysis. Lenders must perform an income analysis of stable and dependable income prior to entering data in GUS. Data on the *Employment* page must capture the previous 24 months of employment and secondary employment.
- ✓ Assets, utilized for reserves, have been accurately disclosed on the *Asset and Liabilities* page.
- ✓ All liabilities of parties to the note (and any non-purchasing spouse for community property states) have been accurately and completely disclosed on the *Asset and Liabilities* page. Include all debts. The basis for omissions of debts from the underwriting decision should be documented on the “Notes” field or in the lender’s permanent mortgage case file.
- ✓ Loan originator information has been accurately completed on the *Transaction of Details* page.
- ✓ Sales price, appraised value and project type is accurately reflected on the *Additional Data* page.

Source documentation utilized to ensure data is complete and accurate includes your mortgage application, employment and income verifications, sales contract, tax returns, credit data, asset documentation, and the appraisal and inspection reports.

A quality control review of complete loan data fields in GUS ensures all data submitted is valid and avoids incomplete or inaccurate information. It also assures Rural Development of the integrity of the data presented and the representations of your organization.

Rural Development is committed to its mission of providing stability and affordability in the housing market. We believe our lenders also support this mission and understand the importance of delivering accurate and complete data. In addition to other remedies outlined in your Lender Agreement and GUS User Agreement, lenders are reminded incorrect or missing loan information could result in suspension or probation from GUS and/or termination from the SFHGLP.

Questions regarding this communication can be directed to the Single Family Housing Guaranteed Loan Division at 202.720.1452.

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